

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 1726 - SB 1799

February 22, 2018

SUMMARY OF BILL: Entitles a person who is 70 years of age or older, who is subject to the annual occupational privilege tax and who has received no income from the taxable occupation during the 12 months immediately preceding the date the tax is due, to a 50 percent tax rebate. Establishes that the tax rebate shall apply to occupational privilege taxes due in 2019 and each year thereafter.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – \$640,800

Increase Local Revenue – \$7,800

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-4-1703(a), the occupational privilege tax is a \$400 tax on persons engaging in certain occupations in Tennessee, as specified in Tenn. Code Ann. § 67-4-1702, due and payable on June 1 of each year. The first year impacted by this legislation will be FY18-19.
- Pursuant to Tenn. Code Ann. § 67-4-1701, privilege tax collections are required to be deposited to the General Fund.
- Based on information provided by the Department of Revenue, it is estimated that approximately 3,300 occupational privilege taxpayers will annually qualify for and receive the proposed tax rebate of \$200 (\$400 x 50%). This number is assumed to remain constant into perpetuity.
- The recurring decrease in state revenue is estimated to be \$660,000 (3,300 x \$200).
- Approximately 2,840 of such taxpayers are estimated to reside in Tennessee.
- It is assumed that 50 percent of tax savings realized by in-state residents will be spent in the economy on sales taxable goods and services. The recurring tax savings that will be spent in the economy on sales taxable goods and services are estimated to be \$284,000 (2,840 x \$200 x 50%).
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.

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- The net recurring increase in state sales tax revenue is estimated to be \$19,161 $[(\$284,000 \times 7.0\%) - (\$284,000 \times 7.0\% \times 3.617\%)]$.
- The total recurring increase in local sales tax revenue is estimated to be \$7,819 $[(\$284,000 \times 2.5\%) + (\$284,000 \times 7.0\% \times 3.617\%)]$.
- The net recurring decrease in state revenue as a result of this legislation is estimated to be \$640,839 $(\$660,000 - \$19,161)$.
- Any increase in expenditures to DOR to establish the rebate program is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb